



Triple Decker TRENDS

A CLOSE UP REPORT - JUNE 1999

DEPARTMENT OF NEIGHBORHOOD DEVELOPMENT

RESEARCH & DEVELOPMENT UNIT

CITY OF BOSTON

THOMAS M. MENINO, MAYOR



Triple Decker Summary

Median Sales Price

1990:	\$175,000
1994:	\$85,950
1998:	\$156,500
Change 90-98:	-11%

Volume of Triple Decker Sales

1990:	498
1994:	842
1998:	911
Change 90-98:	+83%

Foreclosures as a Percentage of Sales:

1990:	9%
1994:	24%
1998:	6%

Owner-Occupied Structures FY99:

Single Family:	81%
Two Family:	69%
Three Family:	53%
Condominiums	44%

% Change in Median Sales Price of Triple Decker Homes

1997-1998 (in dollars)

Neighborhood	1997	1998	% Change in Median
ALLSTON/BRIGHTON	264,000	284,750	7%
BACK BAY/BEACON HILL	NA	NA	NA
CENTRAL	NA	NA	NA
CHARLESTOWN	225,000	370,000	39%
DORCHESTER	130,000	152,000	14%
EAST BOSTON	100,000	125,000	20%
FENWAY/KENMORE	NA	NA	NA
HYDE PARK	155,000	177,000	12%
JAMAICA PLAIN	157,000	190,000	17%
MATTAPAN	108,500	143,500	24%
ROSLINDALE	165,750	181,750	9%
ROXBURY	119,900	130,250	8%
SOUTH BOSTON	160,000	218,000	27%
SOUTH END	401,000	446,000	10%
WEST ROXBURY	NA	NA	NA
Citywide Total	135,000	156,750	14%

PROFILE:

Housing stock in Boston includes 63,909 1-, 2-, and 3-family structures and 114,045 units. Triple deckers comprise 25% (15,807) of Boston's 1- to 3-family stock and 42% (47,421) of its units. Neighborhoods with the highest concentration of triple deckers are: East Boston, 49% (2,162) of its stock and 65% (6,486) of its units; Roxbury, 44% (2,295) of its stock and 60% (6,885) of its units; and Dorchester, 35% (4,310) of its stock and 53% (12,930) of its units.

SALES:

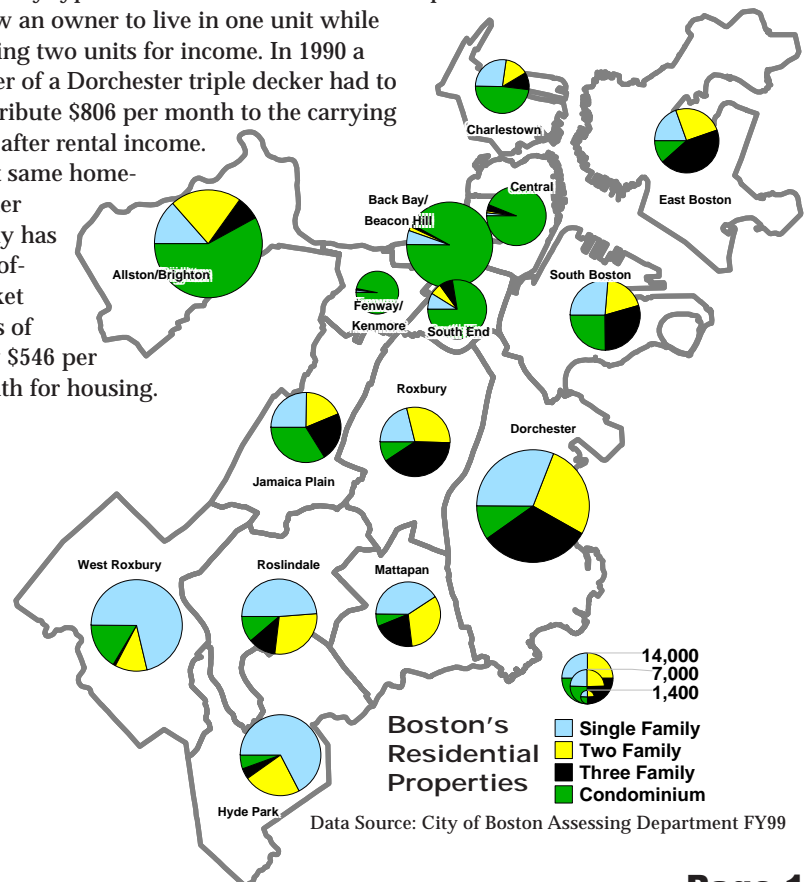
Although other housing types have regained the values lost during the recession of 1990-1994, triple decker values citywide are still 11% below 1990 levels. Despite substantial growth from 1994 to 1998, values in Mattapan, Dorchester, and Roxbury remain between 15% and 20% below 1990 levels. In contrast, values for triple deckers in some neighborhoods have increased significantly from 1990: Charlestown is up 95% and South Boston is up 25%.

FORECLOSURES:

While foreclosure rates for triple deckers are still higher than other property types, they have decreased from a high of 50% of all sales in 1992 to 6% in 1998.

AFFORDABILITY:

As when they were first built, triple deckers continue to be the most affordable property type for homeowners over time. Triple deckers allow an owner to live in one unit while renting two units for income. In 1990 a buyer of a Dorchester triple decker had to contribute \$806 per month to the carrying cost after rental income. That same homeowner today has out-of-pocket costs of only \$546 per month for housing.





Triple Decker SALES

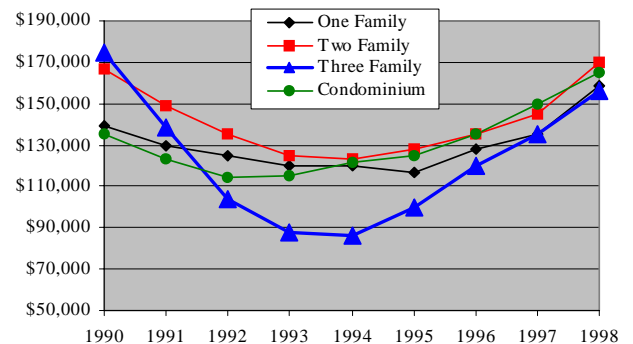


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**Table 1: Median Sales Price of Triple Decker Homes
in Boston 1990-1998**

	1990	1994	1998	90-94	94-98	90-98
NEIGHBORHOOD	MEDIAN	MEDIAN	MEDIAN	CHANGE	CHANGE	CHANGE
ALLSTON/BRIGHTON	\$277,333	\$165,000	\$284,750	-41%	73%	3%
BACK BAY/BEACON HILL	NA	NA	NA	NA	NA	NA
CENTRAL	NA	\$348,000	NA	NA	NA	NA
CHARLESTOWN	\$190,000	\$167,750	\$370,000	-12%	121%	95%
DORCHESTER	\$179,500	\$75,000	\$152,000	-58%	103%	-15%
EAST BOSTON	\$115,000	\$60,900	\$125,000	-47%	105%	9%
FENWAY/KENMORE	NA	NA	NA	NA	NA	NA
HYDE PARK	\$192,500	\$135,000	\$177,000	-30%	31%	-8%
JAMAICA PLAIN	\$210,000	\$90,000	\$190,000	-57%	111%	-10%
MATTAPAN	\$180,000	\$63,900	\$143,500	-65%	125%	-20%
ROSLINDALE	\$205,000	\$134,000	\$181,750	-35%	36%	-11%
ROXBURY	\$152,500	\$67,000	\$130,250	-56%	94%	-15%
SOUTH BOSTON	\$175,000	\$112,500	\$218,000	-36%	94%	25%
SOUTH END	NA	\$200,000	\$446,000	NA	123%	NA
WEST ROXBURY	NA	NA	NA	NA	NA	NA
CITYWIDE	\$175,000	\$85,950	\$156,750	-51%	82%	-11%



**Table 2: Number of Sales for Triple Decker Homes
in Boston 1990-1998**

	1990	1994	1998	90-94	94-98	90-98
NEIGHBORHOOD	# OF SALES	# OF SALES	# OF SALES	CHANGE	CHANGE	CHANGE
ALLSTON/BRIGHTON	15	42	36	180%	-14%	140%
BACK BAY/BEACON HILL	NA	NA	NA	NA	NA	NA
CENTRAL	NA	11	NA	NA	NA	NA
CHARLESTOWN	9	16	21	78%	31%	133%
DORCHESTER	184	284	281	54%	-1%	53%
EAST BOSTON	61	97	131	59%	35%	115%
FENWAY/KENMORE	NA	NA	NA	NA	NA	NA
HYDE PARK	10	29	26	190%	-10%	160%
JAMAICA PLAIN	43	61	72	42%	18%	67%
MATTAPAN	35	57	62	63%	9%	77%
ROSLINDALE	21	53	46	152%	-13%	119%
ROXBURY	66	77	126	17%	64%	91%
SOUTH BOSTON	38	91	77	139%	-15%	103%
SOUTH END	NA	15	12	NA	-20%	NA
WEST ROXBURY	NA	NA	NA	NA	NA	NA
CITYWIDE	497	842	906	69%	8%	82%

Data Source: Banker & Tradesman

Data includes residential sales, which have a sales price between \$25,000 and \$1,000,000. Neighborhoods with less than seven sales per year were not included in the study.



Triple Decker FORECLOSURES

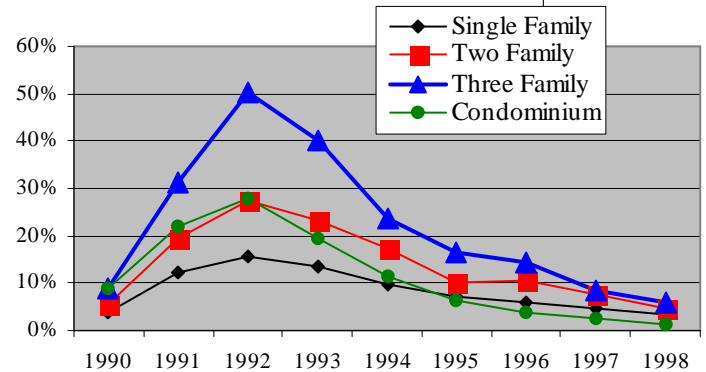
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**Table 3: Triple Decker Foreclosures as a Percentage of Sales
In the City of Boston 1990-1998**

NEIGHBORHOOD	1990	1991	1992	1993	1994	1995	1996	1997	1998
ALLSTON/BRIGHTON	NA	NA	50%	41%	NA	NA	NA	NA	NA
BACK BAY/BEACON HILL	NA	NA	NA	NA	NA	NA	NA	NA	NA
CENTRAL	NA	NA	NA	NA	NA	NA	NA	NA	NA
CHARLESTOWN	NA	NA	NA	NA	NA	NA	NA	NA	NA
DORCHESTER	8%	28%	51%	41%	28%	21%	18%	11%	8%
EAST BOSTON	NA	33%	56%	32%	29%	19%	NA	NA	NA
FENWAY/KENMORE	NA	NA	NA	NA	NA	NA	NA	NA	NA
HYDE PARK	NA	NA	NA	NA	NA	NA	NA	NA	NA
JAMAICA PLAIN	NA	28%	44%	39%	24%	NA	NA	NA	NA
MATTAPAN	20%	45%	54%	58%	30%	23%	21%	16%	NA
ROSLINDALE	NA	NA	46%	30%	17%	NA	17%	NA	NA
ROXBURY	NA	44%	62%	57%	30%	16%	20%	11%	10%
SOUTH BOSTON	NA	25%	38%	33%	12%	NA	9%	NA	NA
SOUTH END	NA	NA	NA	NA	NA	NA	NA	NA	NA
WEST ROXBURY	NA	NA	NA	NA	NA	NA	NA	NA	NA
CITYWIDE	9%	32%	50%	40%	24%	16%	15%	8%	6%



**Table 4: Number of Triple Decker Foreclosures
In the City of Boston 1990-1998**

NEIGHBORHOOD	1990	1991	1992	1993	1994	1995	1996	1997	1998
ALLSTON/BRIGHTON	NA	NA	11	11	NA	NA	NA	NA	NA
BACK BAY/BEACON HILL	NA	NA	NA	NA	NA	NA	NA	NA	NA
CENTRAL	NA	NA	NA	NA	NA	NA	NA	NA	NA
CHARLESTOWN	NA	NA	NA	NA	NA	NA	NA	NA	NA
DORCHESTER	16	43	130	142	108	82	71	23	25
EAST BOSTON	NA	16	41	27	40	23	NA	NA	NA
FENWAY/KENMORE	NA	NA	NA	NA	NA	NA	NA	NA	NA
HYDE PARK	NA	NA	NA	NA	NA	NA	NA	NA	NA
JAMAICA PLAIN	NA	11	23	25	19	NA	NA	NA	NA
MATTAPAN	9	15	37	37	25	21	17	11	NA
ROSLINDALE	NA	NA	11	10	11	NA	11	NA	NA
ROXBURY	NA	34	71	51	33	17	30	14	14
SOUTH BOSTON	NA	9	15	21	12	NA	8	NA	NA
SOUTH END	NA	NA	NA	NA	NA	NA	NA	NA	NA
WEST ROXBURY	NA	NA	NA	NA	NA	NA	NA	NA	NA
CITYWIDE	49	147	345	333	260	169	155	67	56

Data Source:
Banker & Tradesman

Data includes residential sales, which have a sales price between \$25,000 and \$1,000,000. Neighborhoods with less than seven sales or foreclosures per year were not included in the study.



Triple Decker Affordability

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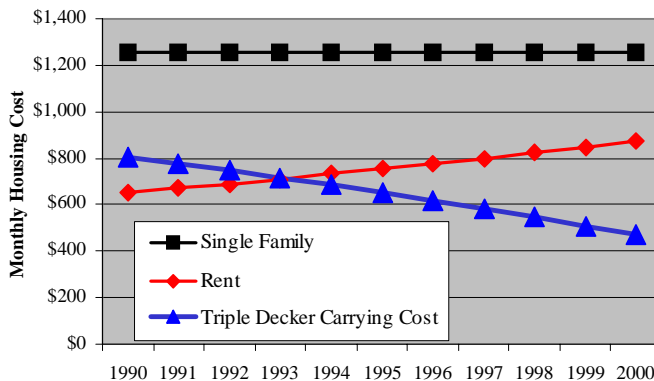


Boston's triple decker housing offers the best value for potential homebuyers in today's market. After losing value in the early 1990s, they remain affordably priced in most neighborhoods. In addition, they offer owners strong rental opportunities. The trends of the 1990s, however, present an unusual financial dilemma that should be considered by today's buyer. During that time, mortgage carrying costs became increasingly affordable yet owners lost most of their home equity. How could triple deckers appear so affordable and unaffordable at the same time?

INCREASING AFFORDABILITY

Triple deckers allow the owner to live in one unit while renting two units for income. Assuming modest annual rent increases, the affordability of triple deckers increases over time. For example, Table 5 shows how a Dorchester triple decker purchased in 1990 becomes more affordable. In 1990, monthly mortgage payments for the triple decker are \$1,781, of which \$975 is covered by the net rental income. This leaves the homeowner with \$806 per month in out of pocket costs. Eight years later, assuming a modest annual 3% increase in rental income, net rents now cover \$1,235 of that mortgage. This leaves the owner with only \$546 in out-of-pocket housing costs. The owner's monthly net housing costs are now less than his/her tenants!

Table 5. Monthly Housing Carrying Costs
in Dorchester 1990-2000

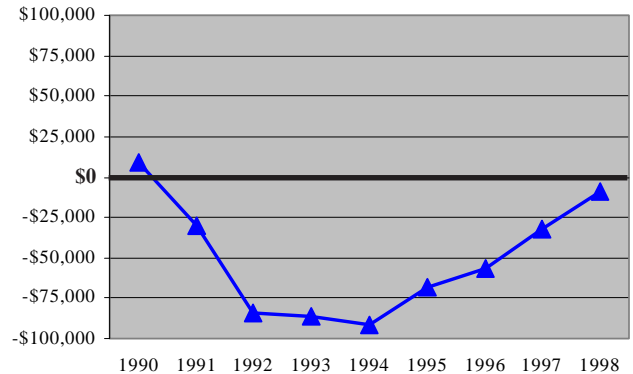


Assumptions: 30% housing cost ratio, 30-year fixed rate, 5% downpayment, 1990 interest rate @10.08 %, annual rent increase @ 3%.
Data Source: Banker and Tradesman.

DISAPPEARING HOME EQUITY

Due to rapidly declining values in the early 1990s, the 1990 triple decker buyer had a negative equity situation by 1994. The real estate market as well as triple decker values have been recovering since and are now approaching 1990 values. For example, as seen in Table 6, a triple decker buyer in Dorchester who bought in 1990 had \$8,975 in equity. At the bottom of the recession in 1994 that homeowner had a property with a negative equity of \$91,636. By 1998 the homeowner has recovered most of their lost equity and now has negative equity of only \$8,754.

Table 6. Triple Decker Equity
in Dorchester 1990-1998



Assumptions: 30-year fixed rate, 5% downpayment, 1990 interest rate at 10.8%.
Data Source: Banker and Tradesman.

IMPACTS OF THIS FINANCIAL DILEMMA

As a result of this lost equity, the triple decker owner faces a very serious financial problem of limited access to financing for repairs and maintenance. Values (against which banks lend) were so depressed during most of the 1990s that homeowners had no equity to borrow against: the cash flow from rents had to support *all* capital investments that normally would be financed over time. Faced with significant capital costs that could not be covered out of pocket (for example, roof replacement, or heat and plumbing systems), the owner often had no financial options, and property conditions could deteriorate to the point of rental units becoming unrentable. In order to obtain financing to keep their home maintained, owners would have to approach "sub-prime" lenders or take on credit card debt, both of which have higher interest rates than traditional lenders.